

## Message Text

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PAGE 01 ROME 11089 121933Z

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ACTION EB-11

INFO OCT-01 EUR-25 ISO-00 SS-20 L-03 H-03 COME-00 OPIC-12

TRSE-00 CIAE-00 INR-10 NSAE-00 RSC-01 FTC-01 NSC-10

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R 121645Z OCT 73

FM AMEMBASSY ROME

TO SECSTATE WASHDC 1289

AMCONSUL NAPLES

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E.O. 11652: N/A

TAGS: EFIN, IT

SUBJECT: ITALCOLD FINANCIAL PROBLEMS WITH GEPI

REF: ROME 11028

1. SUMMARY - WHILE BANKRUPTCY AGAIN AVOIDED, ITALCOLD/HADDAD NOT YET CLEAR OF PROBLEMS AND EMBASSY BELIEVES PRESSURES ON USG WILL CONTINUE. EMBASSY REGARDS HADDAD UNSUBSTANTIATED CLAIMS WARRANT NEITHER POLITICAL REPRESENTATIONS NOR DIRECT INTERVENTION IN GEPI-ITALCOLD CONFRONTATION. EMBASSY OCTOBER 10 MEETING WITH GEPI EVIDENCED STRONG GEPI FEELINGS REGARDING NATURE OF HADDAD INVESTMENT.

2. STATUS REPORT AS OF OCTOBER 12 - WITH GRANTING OF PRE-VENTIVE AGREEMENT BY NAPLES TRIBUNAL ITALCOLD HAS AGAIN AVOIDED BANKRUPTCY. WHILE THIS WILL ELIMINATE BANKRUPTCY THREAT IF REPEAT IF ITALCOLD ABLE TO SATISFY WHATEVER CREDITOR PAYMENT ARRANGEMENTS INVOLVED, THERE WIL BE NO RETURN ON INVESTMENT TO HADDAD. THUS DEPARTMENT, EMBASSY AND CONGEN NAPLES WILL MOST LIKELY BE HEARING FROM HADDAD IN FUTURE AND THEME OF INTERVENTION WITH SENATOR FANFANI CERTAIN BE REPEATED. WHILE LEGAL LEVEL MEETING WITH GEPI MAY CLARIFY DETAILS, EMBASSY CONSIDERS IT UNLIKELY WILL HAVE RESULTS HADDAD DESIRES, I.E., PURCHASE OF PLANT OR CANCELL-

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PAGE 02 ROME 11089 121933Z

ATION OF LEASE REMOVING LABOR FORCE OR MAJOR GEPI DISBURSE-

MENTS FOR DISPUTED INVENTORY VALUATION. NEXT CRISIS WILL PROBABLY BE IN RAISING FUNDS TO SATISFY CREDITORS UNDER COURT AGREEMENT WITH HADDAD INSISTING THAT GEPI MUST PAY FOR MATERIAL STOCKS - ITALCOLD HAS NO OTHER REVENUE SOURCE BESIDES GEPI.

3. EMBASSY ACTION - EMBASSY ARRANGING LEGAL LEVEL MEETING BETWEEN GEPI AND ITALCOLD/HADDAD. EMBASSY DOES NOT PLAN PARTICIPATE DUE LEGAL NATURE OF MEETING AND IMPOSSIBILITY MAINTAIN CLEAR ROLE OF MEDIATOR IN DIRECT CONFRONTATION. IN PAST, MEDIATOR STATUS PERMITTED EMBASSY/CONGEN NAPLES BRING TWO PARTIES TOGETHER ON SOME ISSUES.FURTHER, UNLESS NADDAD ABLE PROVIDE SOME EVIDENCE OF HIS UNSUBSTANTIATED CLAIMS REGARDING PROMISES MADE 1971 AT TIME OF GEPI/ITC-ITALCOLD LEASE CONTRACT ABOUT SETTLEMENT OF ALL DEBTS, ETC., EMBASSY PLANS NO POLITICAL LEVEL APPROACHES. FRANKLY THERE IS NO BASIS FOR A REPRESENTATION AND EMBASSY FACES POSSIBILITY THAT GOI WITH GEPI DOCUMENTATION COULD EMBARRASS USG,BY COUNTERING GENERALIZED APPROACH ON PROTECTION OF U.S. INVESTMENT WITH DEMONSTRATION THAT SAME INVESTOR MADE APPRECIABLE PERSONAL PROFIT FROM SALES (SEE 4A BELOW). AS HADDAD NOT HESITANT TO USE CURTS IN PAST, HIS DESINCLINATION SUE GEPI ON BASIS OF DELAY EXPECTED IN CURT SETTLEMENT CAN INFER ABSENCE OF SATISFACTORY EVIDENCE.

4. FURTHER COMMENTS BY GEPI EXECUTIVE DEFONTE AT OCTOBER 10 MEETING WHICH ARE FOR ADDRESSEES INFORMATION ONLY:

A) GEPI CONSIDERS HADDAD VENTURE IN ITALCOLD QUOTE BASE COMMERCIAL SPECULATION UNQUOTE. ITALCOLD PRODUCTION, GEPI CLAIMS, NEVER BASED ON ANY ADVANCE PLANNING - E.G. MARKET RESEARCH - AND PLANT NEVER IMPROVED OR MAINTAINED. GEPI BELIEVES - AND MAY BE ABLE DOCUMENT - THAT DESPITE PLANT LOSSES, HADDAD MADE MONEY BY PERCENTAGE ON SALES INDEPENDENT OF ITALCOLD RECEIPTS. DEFONTE SAID THAT BECAUSE OF QUESTIONABLE WAY HADDAD RAN ITALCOLD, GEPI/ITC WANTED NO DEALINGS WITH HIM BEYOND THOSE REQUIRED BY EXISTING CONTRACT AND THUS REFUSED ORDERS FOR REFRIGERATORS FROM HIM.DESPITE HADDAD CLAIM HE HAD ORDERS AT PRICES WHICH WOULD GIVE PROFIT, GEPI/ITC PREFERS SELL AT THE LOSS IT SAYS MUST BE TAKEN SELL OLD TYPE REFRIGERATORS RATHER THAN BECOMING FURTHER INVOLVED WITH HADDAD.

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PAGE 03 ROME 11089 121933Z

B) WHEN EMBOFFS CITED HADDAD PERSONAL INVESTMENT, DEFONTE SAID HE DOUBTED IF IT WERE MORE THAN TEN MILLION LIRE(\$17,000), JUST ENOUGH TO GET ALONG UNTIL CREDITS STARTED BEING DISBURSED. DEFONTE FELT THAT COMBINATION OF DOLLAR DEVALUATION AND EXHAUSTION OF CREDIT LINES COMBINED TO FORCE ITALCOLD INTO LIQUIDATION. NOTE: HADDAD CLAIMS PERSONAL INVESTMENT APPROXIMATELY ONE MILLION DOLLARS.

C) GEPI WOULD NEVER HAVE GONE INTO LEQSE WITH ITALCOLD EXCEPT ON INSTRUCTIONS FROM CIPE-INTERMINISTERIAL ECONOMIC PROGRAMMING COMMITTEE - WHICH DESIGNATED PLANT AND ITS WORKFORCE FOR INTERVENTION.

5. DEFONTE INSISTED THAT GEPI PATTERN OF OPERATIONS BASED ON ITS PURPOSE SAVE FAILING INDUSTRIES AND THEIR WORKFORCES AND THAT ITS MANNER OF DEALING IT ITS SIXTY-TWO INVESTMENTS WAS BOTH CORRECT AND GENTLEMANLY. NOTE: GEPI OPERATIONS BELIEVED BY MOST OBSERVERS TO DELINEATE BETWEEN COMPANIES CAPABLE OF SALVATION AND THOSE TOO FAR GONE TO BE SAVED. IN LATTER CASES GEPI GENERALLY CONSIDERED PREFER SEE FIRM GO BANKRUPT, START ANEW ON MORE VIABLE BASIS. SAVING JOBS ALWAYS MAIN OBJECTIVES. VOLPE

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